

Message Text

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ORIGIN ARA-17

INFO OCT-01 ADP-00 IGA-02 L-03 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 PM-09 DODE-00

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TO AMEMBASSY LA PAZ PRIORITY

S E C R E T STATE 095696

E. O. 11652: GDS

TAGS: PFOR, BL

SUBJECT: PRE- IG REVIEW OF FY 74-75 CASP

REF STATE 095686

1. PRE- IG MET MAY 17 TO REVIEW FY 74-75 CASP SUBMISSION FOR BOLIVIA. PRE- IG IDENTIFIED FOLLOWING FOUR ISSUES AS MERITING CONSIDERATION BY IG WHICH SCHEDULED TO MEET JUNE 12: U. S. STRATEGIC STOCKPILE DISPOSALS (DISCUSSED IN SEPTTEL); FMS CREDIT IN CASP TIME FRAME; OPIC INVESTMENT COVERAGE POLICIES IN BOLIVIA; AND POSSIBLE IMPLICATIONS GOB FISCAL PERFORMANCE ON AID PROGRAM LEVELS.

2. REGARDING FMS, PRE- IG NOTED OMISSION ANY REFERENCE TO: T-33 AIRCRAFT RECENTLY PURCHASED BY GOB; EFFECT OF IMF STANDBY AGREEMENT RESTRICTIONS ON GOB SHORT AND MEDIUM TERM CREDIT; AND ANTICIPATED WORLD- WIDE DEMANDS ON SCARCE FMS RESOURCES DURING CASP TIME FRAME. WHILE PRE- IG CONSENSUS SUPPORTED IN PRINCIPLE CASP RECOMMENDATION THAT WE PROVIDE FMS FOR CLOSE SUPPORT AIRCRAFT IN RESPONSE TO BOLIVIAN

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REQUEST, IT WAS FELT THAT IG SHOULD ADDRESS CASP RECOMMENDATION IN CONTEXT OF IMF CREDIT CONSTRAINTS AND BOLIVIA'S PRIORITY RELATIVE OTHER ANTICIPATED FMS REQUESTS FROM LA COUNTRIES.

3. PRE- IG, WITH OPIC DISSENTING, RECOMMENDED IG CONSIDER FOLLOWING RECOMMENDATIONS REGARDING OPIC GUARANTY/ INSURANCE COVERAGE IN BOLIVIA: THAT EXPROPRIATION INSURANCE NOT BE EXTENDED TO POLITICALLY SENSITIVE INVESTMENTS, SUCH AS THOSE IN EXTRACTIVE INDUSTRIES; AND THAT EXPROPRIATION COVERAGE EXTENDED TO OTHER INVESTMENTS SHOULD NOT EXCEED 75 PERCENT OF INVESTMENT VALUE. (FYI OPIC IS CURRENTLY ATTEMPTING REVISE THESE RECOMMENDATIONS IN A FORM WHICH WOULD ELIMINATE DIFFERENCES ON THIS ISSUE.)

4. PRE- IG EXPRESSED CONCERN OVER GOB FISCAL SITUATION AND CURRENT UNCERTAINTY AS TO SUCCESS OF STABILIZATION PROGRAM. WHILE MINFIN TAX REFORM PROPOSALS ARE POSITIVE STEP, PROJECTED 500-600 MILLION PESO BUDGET DEFICIT AND RECENT GOB INFORMAL PROGRAM LOAN REQUEST (STATE93140) ARE DISCOURAGING FACTORS. OF PARTICULAR CONCERN WAS GOB LOCAL CONTRIBUTION PROBLEM WHICH MAY HINDER FUTURE AID AND OTHER DONOR LENDING PROGRAMS.

5. WE WOULD APPRECIATE CT COMMENTS, AND IN CASE OF FISCAL PROBLEM DETAILED ANALYSIS AND ASSESSMENT OF CURRENT SITUATION, SOONEST SO THAT THESE VIEWS CAN BE INCORPORATED IN ISSUES PAPERS BEING PREPARED FOR JUNE 12 IG MEETING. RUSH

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